

# FY2014 Management Plan

May 9, 2014

Furukawa Electric Co., Ltd.

President

Mitsuyoshi Shibata

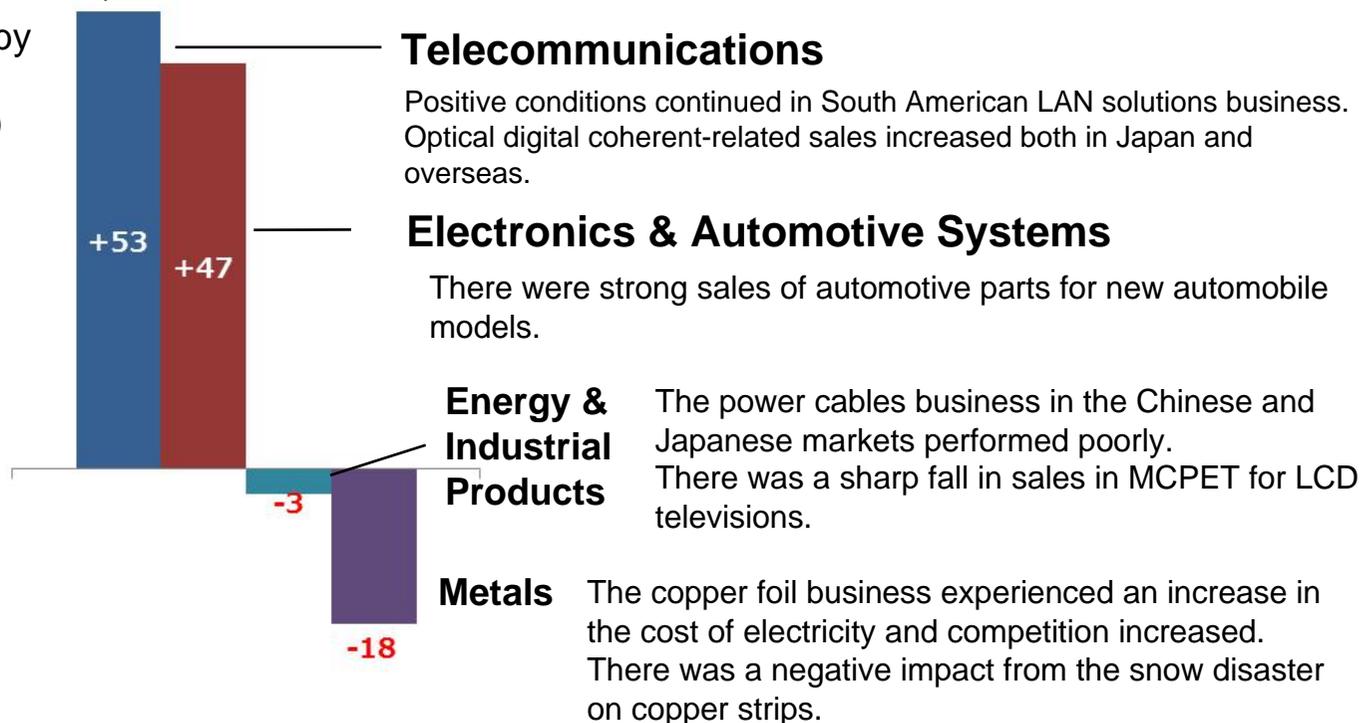
# Summary of FY2013 Accounts

1. Highlights
2. P&L
3. Analysis of Changes in Net Sales  
and Operating Income
4. Operating Income by Segment
5. Balance Sheet

# 1. FY2013 Highlights

- In terms of operating income, we exceeded our forecast of 25.0 billion yen, achieving **25.5 billion yen, an increase of 43% year on year.**
- The **Telecommunications** business and **Electronics & Automotive Systems** business performed well and contributed to the increase in income.
- Income fell in our **Energy & Industrial Products** and **Metals** businesses because of a deterioration in the business environment.
- Interest-bearing liabilities fell for the **10<sup>th</sup> consecutive year** (584.7 billion yen at the end of FY2003 to 277.9 billion yen at the end of FY2013).

Change in operating income by  
business segment  
(year on year, unit: 100 million yen)



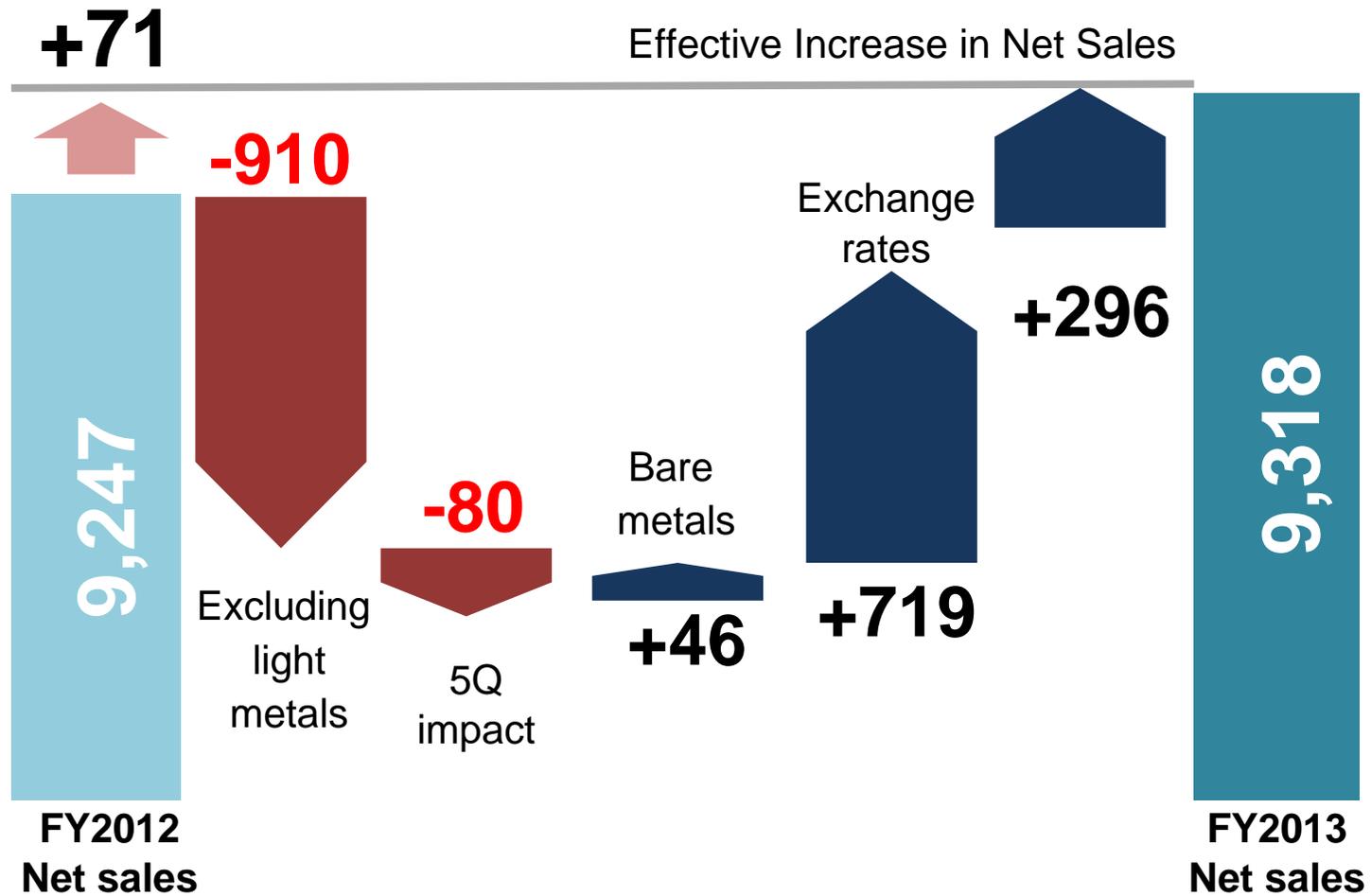
## 2. FY2013 P&L

### Year on Year Increases in Income and Profits at All Stages

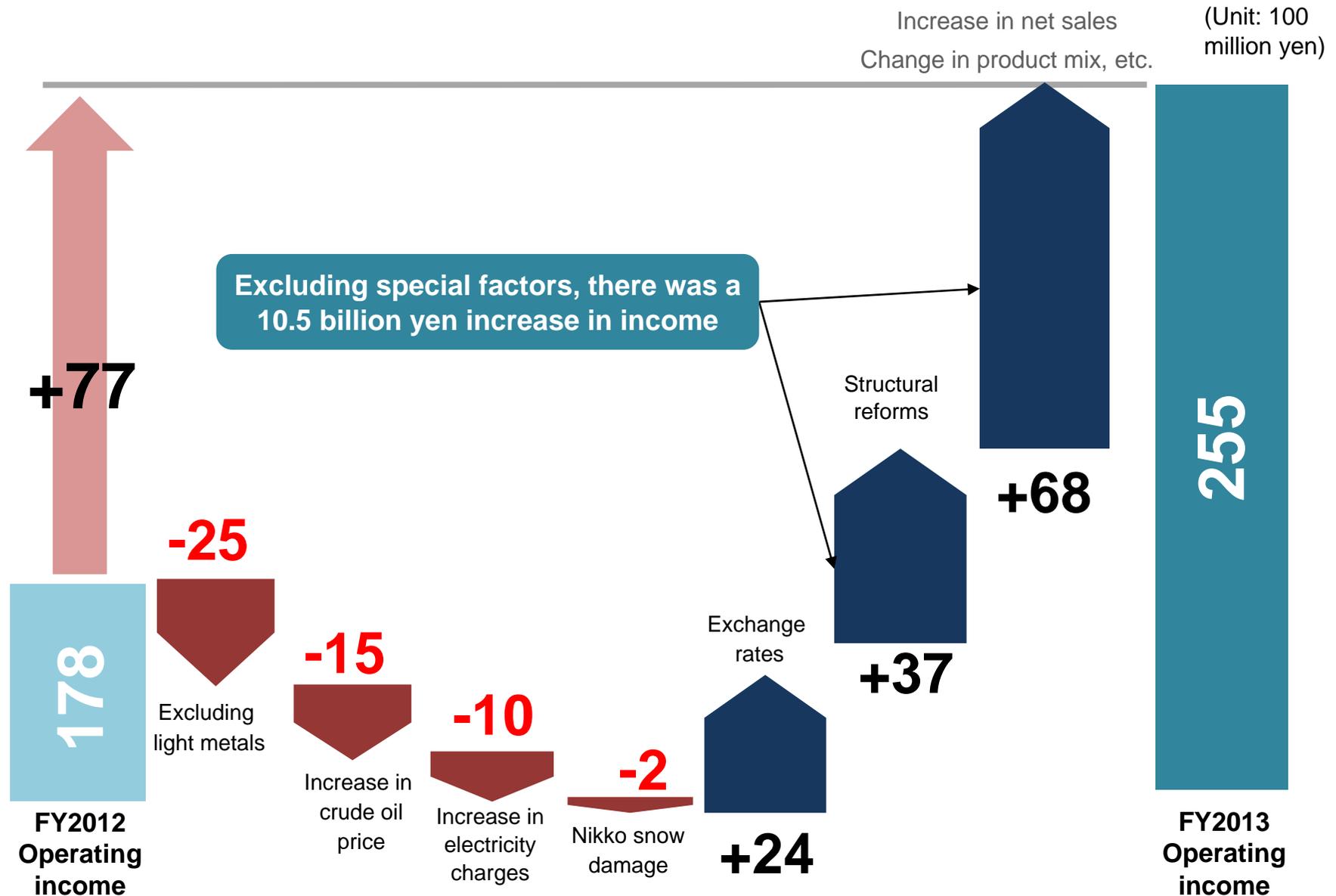
	FY2012	FY2013	Change	Breakdown of Changes (Unit: 100 million yen)
	A	B	B-A	
Net sales	9,247	<b>9,318</b>	+71	See P6
			+1%	
Operating income	178	<b>255</b>	+77	See P7
			+43%	
Profit/loss in equity method affiliates	1	<b>-8</b>	-9	UACJ+24 (0⇒+24), VISCAS -30 (-11 ⇒ -41)
Recurring profit	176	<b>255</b>	+79	Gain on foreign exchange -6 (27 ⇒ 20), Reversal of allowance for doubtful receivables +10, etc.
			+45%	
Extraordinary loss	-48	<b>-82</b>	-34	Sale of marketable securities +49, Depreciation loss -42 (-26 ⇒ -68), Business structure reforms -12 (-17 ⇒ -30), EU fines -13, Impact of Nikko snow disaster -18, etc.
Income taxes-current and income taxes-deferred	-70	<b>-90</b>	-20	
Minority interests in losses	-22	<b>-27</b>	-4	
Current net income	36	<b>56</b>	+20	
			+56%	
Copper market prices (JPY/Kg) average	696.4	757.6	+61.2	
Exchange rate (JPY/USD) average	79.81	97.73	+17.92	

# 3-1. Factors Affecting Changes in Net Sales in FY2013

(Unit: 100 million yen)



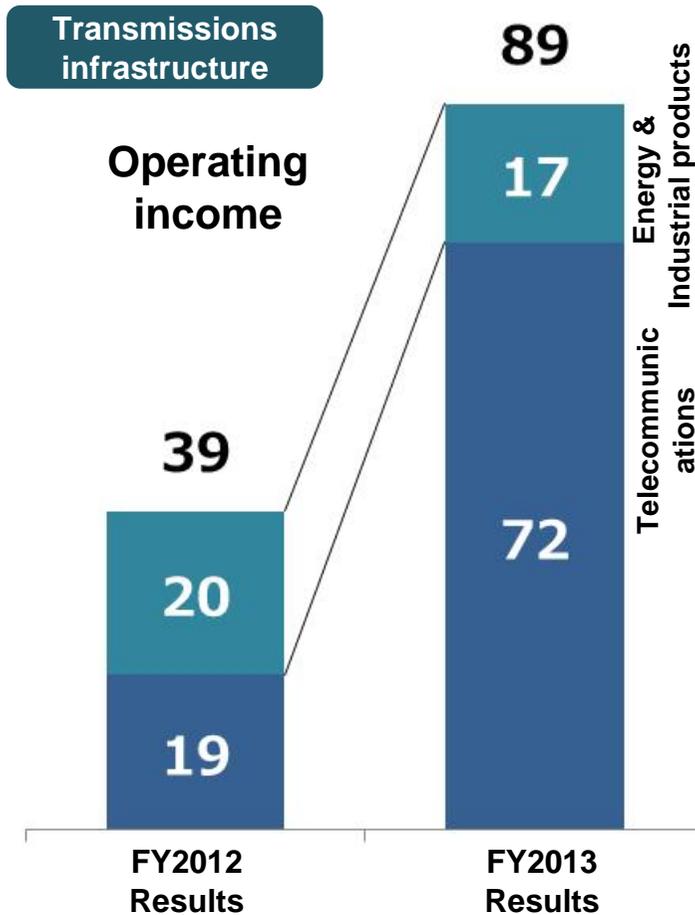
# 3-2. Factors Affecting Changes in Operating Income in FY2013 (year on year)



## 4-1. Operating income by segment

## Major increase in telecommunications income

(Unit: 100 million yen)



### [Telecommunications] 19 ⇒ 72 (+53)

- Fiber optic cables 20 ⇒ 37 (+17)
  - (+) Improvement in profitability of fiber optic exports thanks to weaker yen, etc.
    - Strong sales maintained in South American LAN solutions business
  - (-) Slump in North American fiber optics business; structural reforms implemented
- Photonics networks -1 ⇒ 34 (+35)
  - (+) Increase in optical digital coherent-related sales in Japan and overseas
    - Steady demand for mobile telecommunications systems
    - Expansion in construction for promoting 3G mobile phones in Thailand

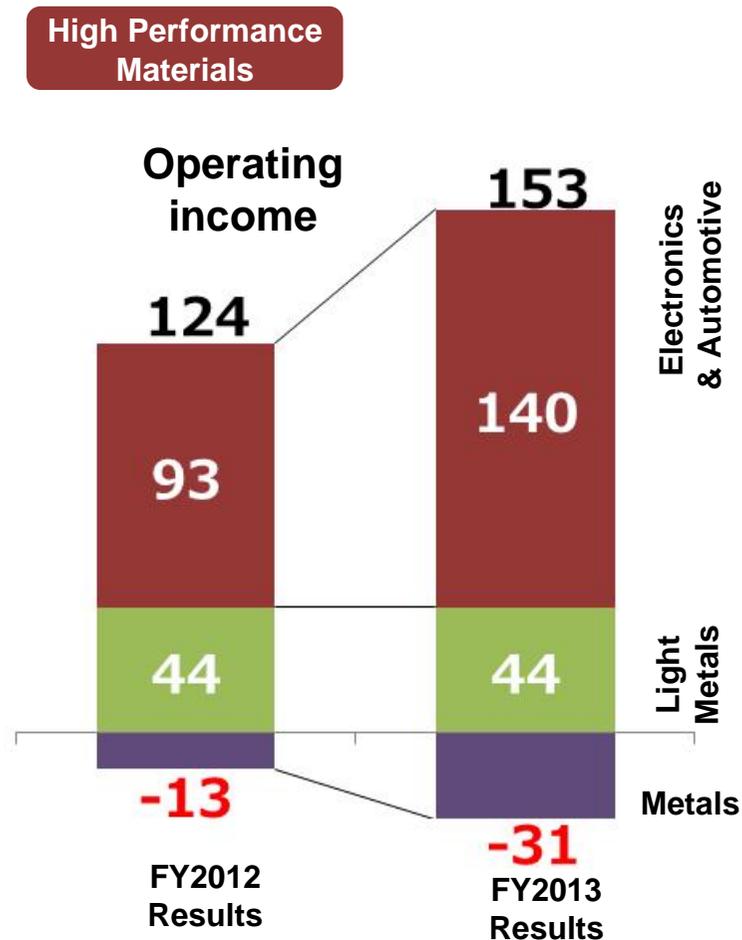
### [Energy & Industrial products] 20 ⇒ 17 (-3)

- (+) Steady demand for conduit materials for mega solar power generation; sales of tape for manufacturing semiconductors remained strong
- (-) Demand for power cables in China and Japan was weak
  - Sales fell sharply in MCPET for LCD televisions

## 4-2. Operating income by segment

## Major increase in Electronics & Automotive income

(Unit: 100 million yen)



### [Electronics & Automotive] 93 ⇒ 140 (+47)

(+) Strong sales of wire harnesses for use in new automobile models

Strong demand for memory disk materials for data centers  
Effect of structural reforms at Totoku Electric Co., Ltd

### [Metals] -13 ⇒ -31 (-18)

(-) Copper foil; Fall in prices caused by stronger competition

Delays in transferring the business from Japan to Taiwan

Reduced profits as a result of higher electricity prices

(+) Copper tubes; Steady profits established as a result of structural reforms in Japan

### [Light Metals] 44 ⇒ 44 (0)

First half only in FY2013

Transferred to “profit/loss in equity method affiliates” under non-operating income from the second half of FY2013 as a result of the inauguration of UACJ in October 2013 (second half results +24)

## 5. FY2013 Balance Sheet

10th consecutive year of lower consolidated interest-bearing liabilities

(Unit: 100 million yen)

	FY2012	FY2013	Change	Breakdown of Changes
	A	B	B-A	
Total assets	8,197	<b>7,148</b>	-1,049	Exclusion of Light Metals -1,663 Other +614; increases in cash & deposits, accounts receivable, inventory assets and tangible fixed assets; effect of a weaker yen and new consolidation
Interest-bearing liabilities	3,205	<b>2,779</b>	-426	Exclusion of Light Metals -707 Other +281; increases in working capital and tangible fixed assets; effect of weaker yen and new consolidation
Equity capital ratio	20.2%	<b>24.8%</b> (excluding light metals)	+4.6%	
D/E ratio	1.93	<b>1.57</b>	-0.36	
Sales to total assets ratio (sales/total assets)	1.13	<b>1.17</b>	+0.04	
ROA (recurring profit/total assets)	2.1%	<b>3.6%</b>	+1.5%	

# FY2014 Forecast

1. P&L Forecast
2. Progress on Nikko Snow Damage
3. P&L Forecast (excluding Nikko snow damage)
4. Analysis of Changes in Net Sales and Operating Income
5. Operating Income and Policies by Segment
6. Balance Sheet Forecast
7. Dividend Forecast

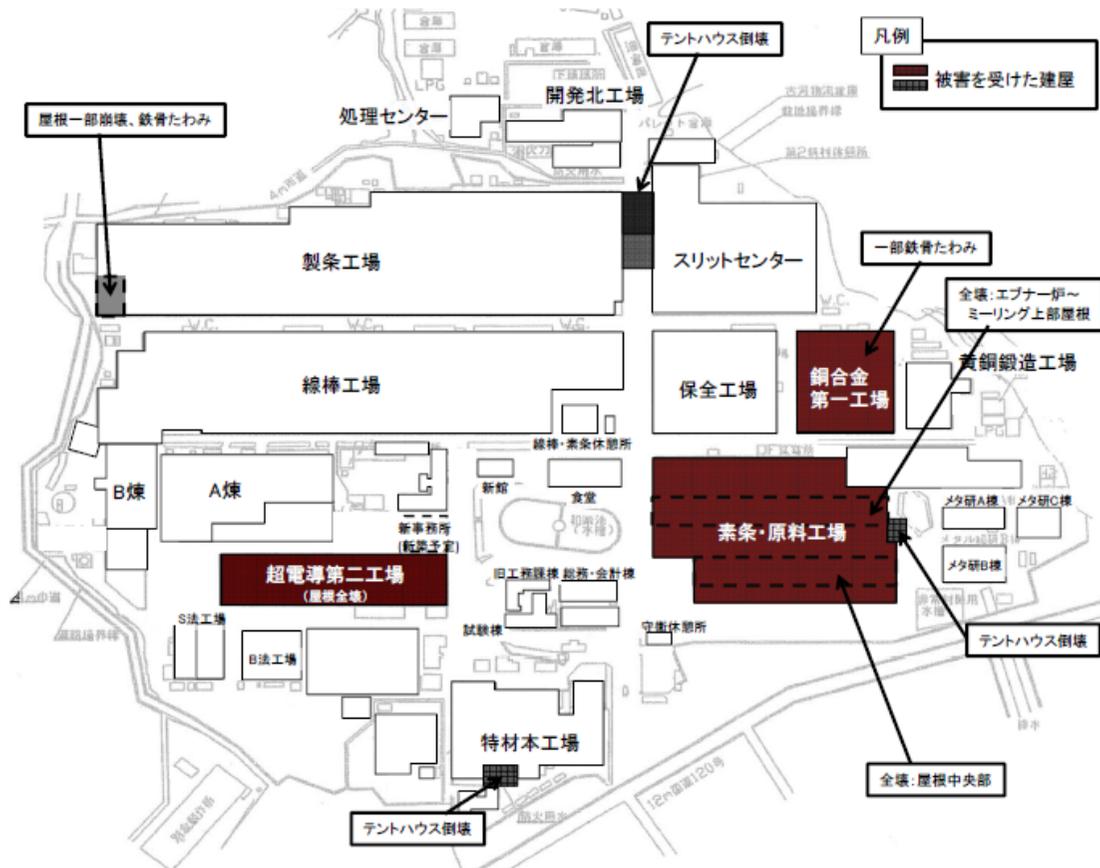
# 1-1. FY2014 P&L Forecast

(Unit: 100 million yen)

	FY2013 Results	FY2014 Forecast	Change
	A	B	B-A
Net sales	9,318	<b>8,500</b>	-818
Operating income	255	<b>225</b>	-30
Profit/loss in equity method affiliates	-8	<b>39</b>	+47
Recurring profit	255	<b>230</b>	-25
Net income	56	<b>75</b>	+19
Copper market prices (JPY/Kg) average	757.6	735	-22.6
Exchange rate (JPY/USD) average	97.73	100	+2.27

## 2-1. Status Report on Nikko Snow Disaster - Status of Damage

On February 15 (Saturday), record heavy snowfall caused damage to the roofing of buildings housing the strip process at Nikko Works, which manufactures wrought copper products.



Immediately after the disaster

## 2-2. Status Report on Nikko Snow Disaster

- Recovery Efforts and Financial Impact

### [Status of recovery]

- Operation of bars and wire products resumed in late February along with the restoration of infrastructure.
- For the raw strip process, which is an intermediate process for strip-related products, hot rolling facilities restarted operation in April but some processes (surface cutting and cold rolling) have been outsourced to other companies.
- All raw strip processes are expected to be restored by the end of January next year.

### [Impact on Results]

(Unit: 100 million yen)

	FY2013 Results	FY2014 Forecast
Operating income	-2	-36
Extraordinary loss	-18	-12

These figures have been incorporated in the FY2013 results and FY2014 forecast announced today.

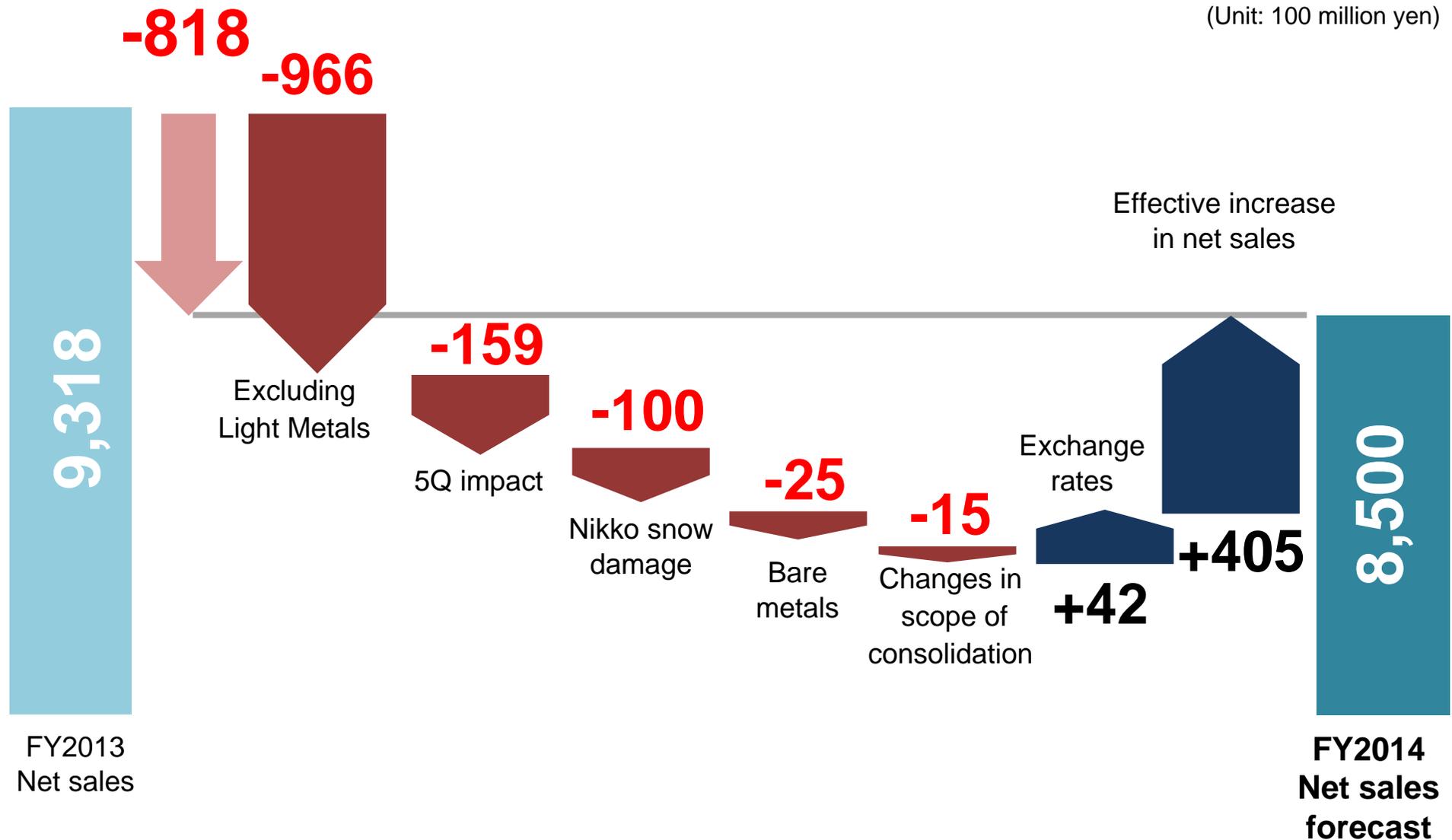
### 3. FY2014 P&L Forecast (excluding Nikko snow damage)

- Excluding the impact of Light Metals and the Nikko snow damage, year on year there was an increase in sales of 24.8 billion yen and an increase in income of 5.6 billion yen

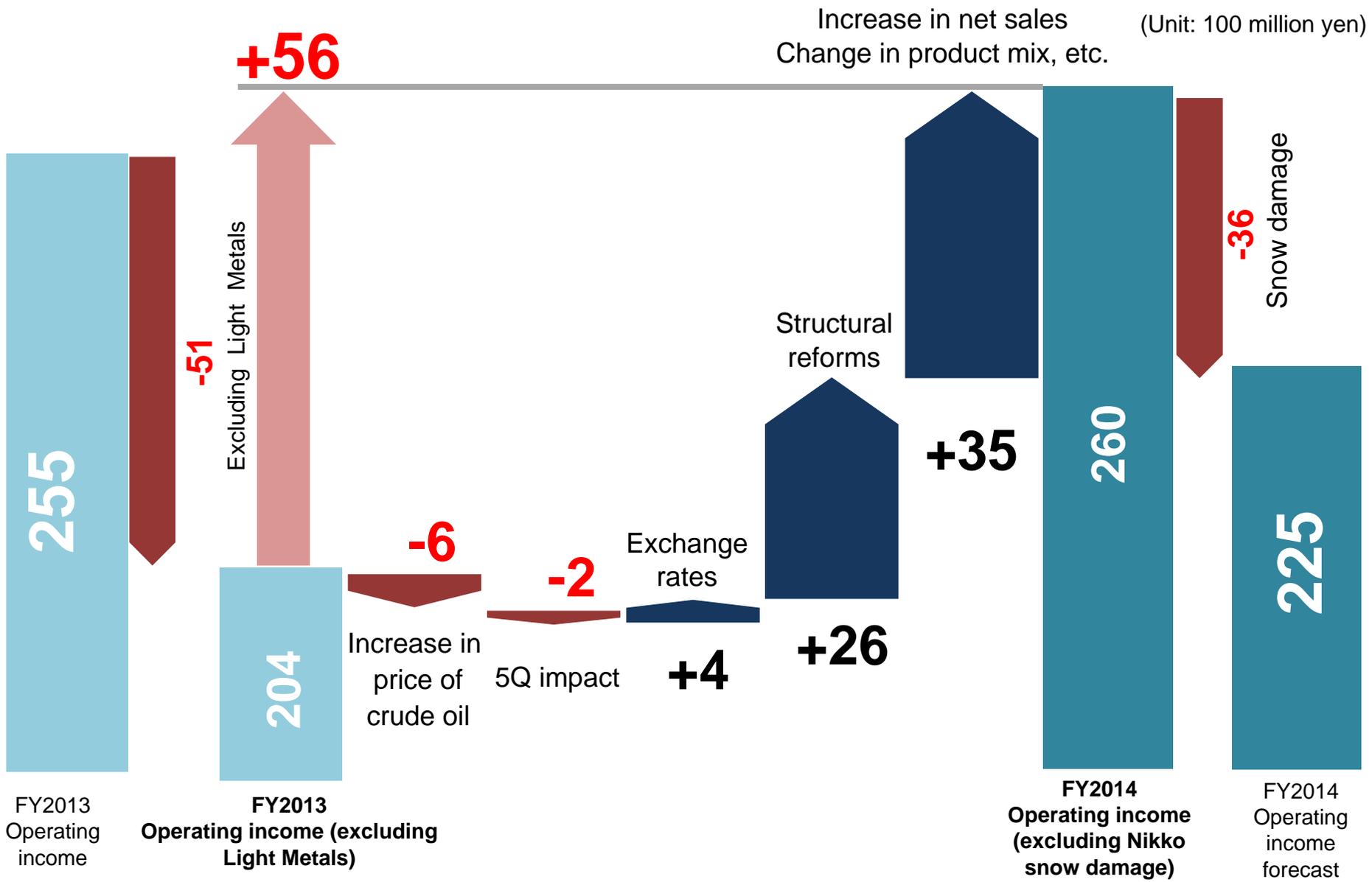
	FY2013 Results		FY2014 Forecast		Change
		(excluding Light Metals)		(excluding Nikko snow damage)	
	A	a	B	b	b-a
Net sales	9,318	<b>8,352</b>	<b>8,500</b>	<b>8,600</b>	+248
Operating income	255	<b>204</b>	<b>225</b>	<b>260</b>	+56
Operating income on net sales	2.7%	<b>2.4%</b>	<b>2.6%</b>	<b>3.0%</b>	+0.6%

# 4-1. Factors Affecting Changes in Net Sales in FY2014

(Unit: 100 million yen)



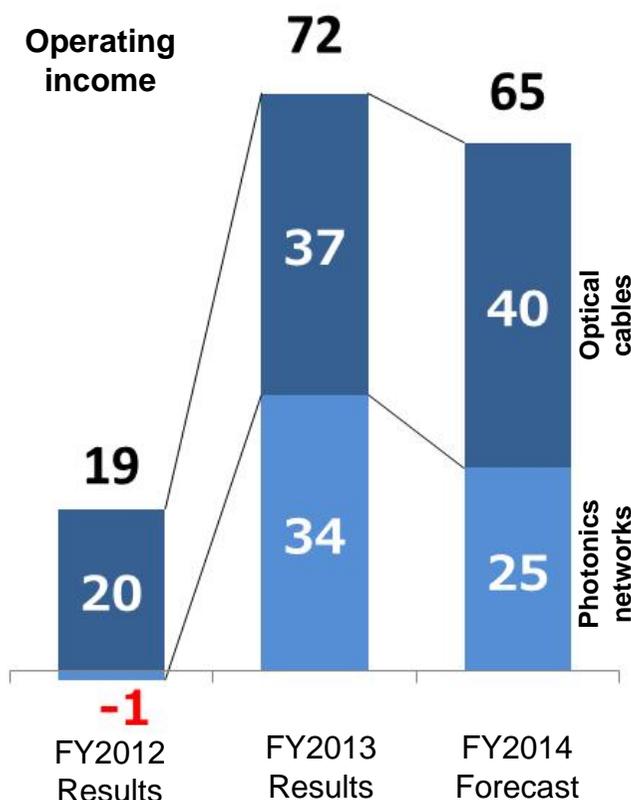
# 4-2. Factors Affecting Changes in Operating Income in FY2014



## 5-1. Operating Income Forecast and Policies by Segment

**Telecommunica  
tions**

(Unit: 100 million yen)



● **Optical cables 37 ⇒ 40 (+3)**

Global demand for fiber optics is forecast to increase 2% year on year (Furukawa Electric forecast). There are signs of a recovery in markets in China, North America, Europe and India, but the Japanese market is forecast to decrease.

Japan: Achieve impact from structural reforms through merger of production bases

OFS: The impact of cuts in fixed costs implemented during the second half of FY2013 will make a full contribution and the market is expected to continue towards recovery.

FISA: Expansion in LAN solutions and fiber optic business

● **Photonics networks 34 ⇒ 25 (-9)**

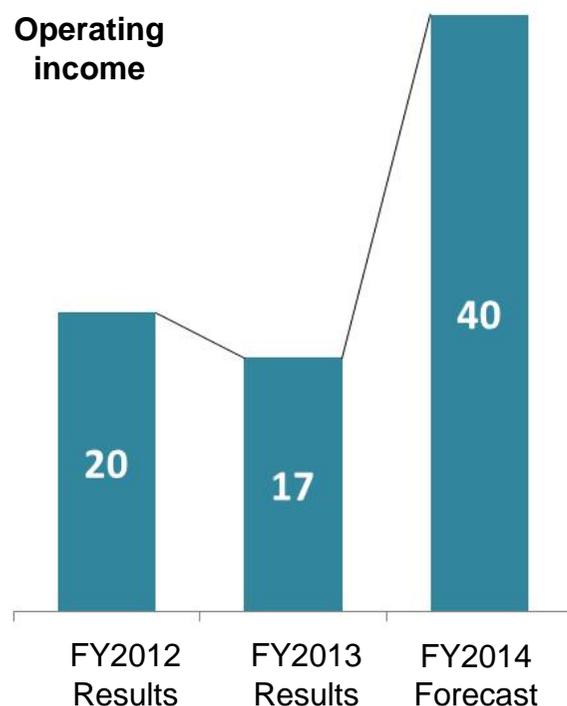
■ Telecommunications traffic is forecast to increase by 24%. Demand is forecast to increase for digital coherent-related products.

■ Construction related to the promotion of 3G mobiles in Thailand is expected to peak out but remain at a high level.

## 5-2. Operating Income Forecast and Policies by Segment

### Energy & Industrial Products

(Unit: 100 million yen)



### ● Energy & Industrial Products 17 ⇒ 40 (+23)

#### Energy

- Restricted investment by power companies is expected to affect demand for high voltage cables in Japan. In China demand is expected to remain at the same level as FY2013. Shenyang Furukawa Cable Co., Ltd. will promote its out-out business supplying overseas markets.
- Demand for construction and electrical appliances in Japan is expected to fall slightly as a reaction against the rush demand before the consumption tax increase. Sales of power cables for mega-solar applications are expected to increase.

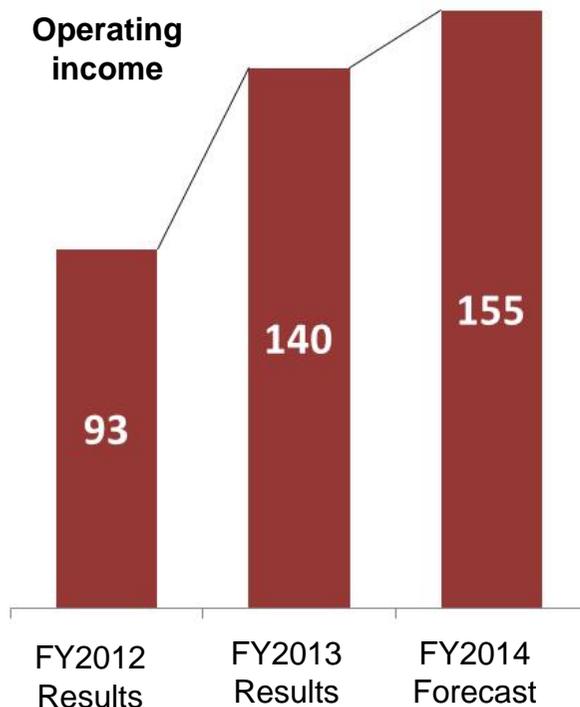
#### Industrial Products

- A significant decrease is expected in MCPET business supplying general-purpose LCD televisions.
- European company Trocellen is expected to improve thanks to measures such as the sale of its unprofitable Russian base.
- Strong demand is expected to continue for conduit materials in mega-solar applications.

## 5-3. Operating Income Forecast and Policies by Segment **FURUKAWA ELECTRIC**

### Electronics & Automotive systems

(Unit: 100 million yen)



#### ● Electronics & Automotive systems 140 ⇒ 155 (+15)

##### Automotive components

The global automotive industry is forecast to grow 3% year on year in FY2014, however the Japanese automotive industry is forecast to shrink in reaction to the increase in consumption tax and the transfer of production overseas. Furukawa Electric Group is planning to cover the impact of reduced production in Japan through the full contribution of wire harness sales for new models, production for which began during FY2013. We also intend to realize the potential of new wire harness bases in Asia and Mexico and to promote an expansion in SRC sales in South America.

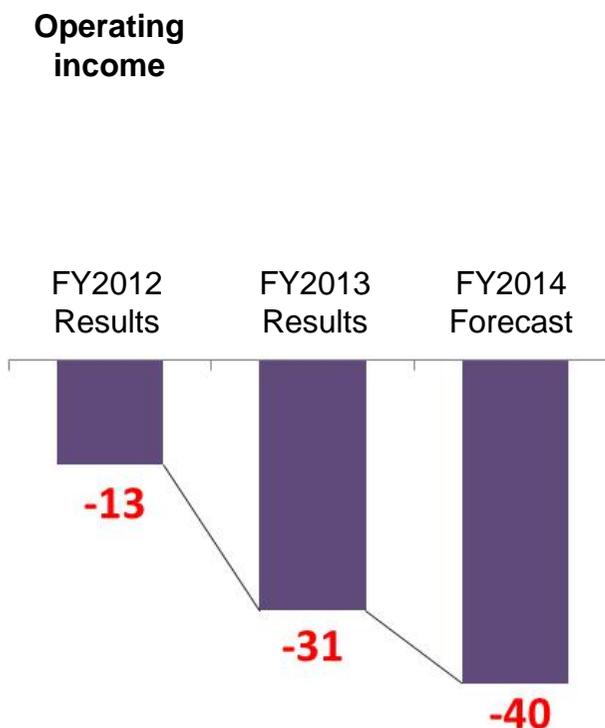
##### Electronics

- Sales of memory disk materials to data centers are expected to remain strong.
- In magnet wires, demand for rectangular wires for use in HV applications and demand for ribbon wires for use in smartphones is expected to grow.

## 5-4. Operating Income Forecast and Policies by Segment

### Metals

(Unit: 100 million yen)



#### ● Metals -31 ⇒ -40 (-9)

##### Copper Foil

Demand for battery foil is forecast to increase, with PHEV applications in particular expected to drive demand. Demand for circuit foil is expected to grow steadily.

Japan: Conditions are expected to improve after realizing the effects of production base centralization and completing the transfer of manufacturing to Taiwan.

Taiwan: The battery foil business is expected to grow, particularly in automotive applications, and circuit foil volume is expected to recover.

##### Copper Strips

Operating income is forecast to be reduced by 3.6 billion yen as a result of the impact of snow damage at Nikko Works. We will aim for a complete restoration by the end of the year.

## 6. FY2014 Balance Sheet Forecast Towards an 11<sup>th</sup> Consecutive Year of Lower Interest-Bearing Liabilities

(Unit: 100 million yen)

	FY2013	FY2014	Change
	A	B	B-A
Total assets	7,148	<b>7,100</b>	-48
Interest-bearing liabilities	2,779	<b>2,720</b>	-59
Equity capital ratio	24.8%	<b>25.1%</b>	+0.3%
D/E ratio	1.57	<b>1.53</b>	-0.04
Sales to total assets ratio (excluding Light Metals) (sales/ total assets)	1.17	<b>1.20</b>	+0.03
ROA (recurring profit/ total assets)	3.6%	<b>3.2%</b>	-0.4%

## 7. Dividend Forecast

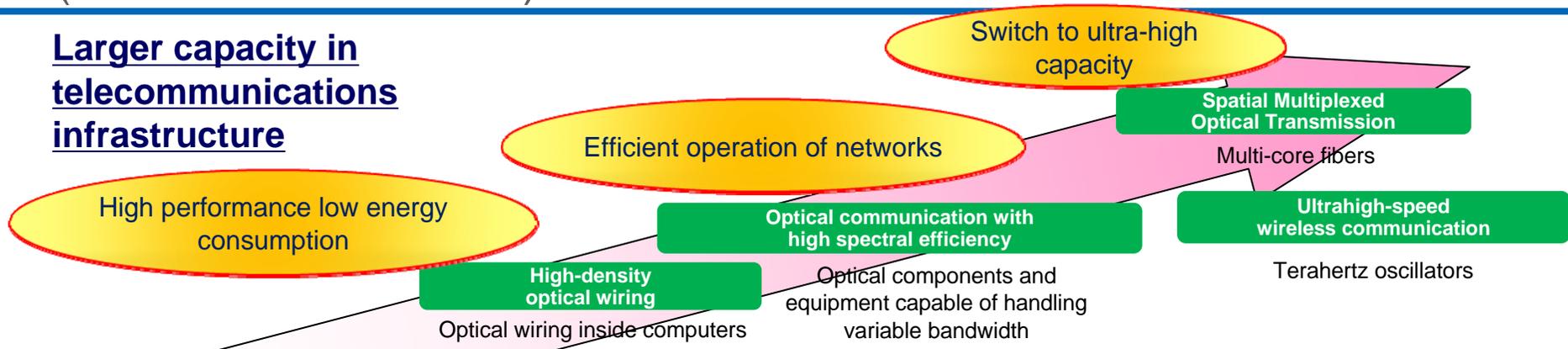
	FY2013 Results	FY2014 Forecast	
<u>Change</u>			
Annual dividend	3.0 yen	3.0 yen	0 yen

Furukawa Electric considers the appropriate return of profits to our shareholders to be one of our most important policies. Our basic policy is to continue making steady dividend payments in consideration of future business developments and in anticipation of the Company's future profitability trends and financial status from a long-term perspective. The internal reserve will be used to improve the financial structure and will be allocated to investments aimed at developing the next generation of business to build a platform for sustainable growth. These include growth strategy investments with a focus on the infrastructure and automotive markets.

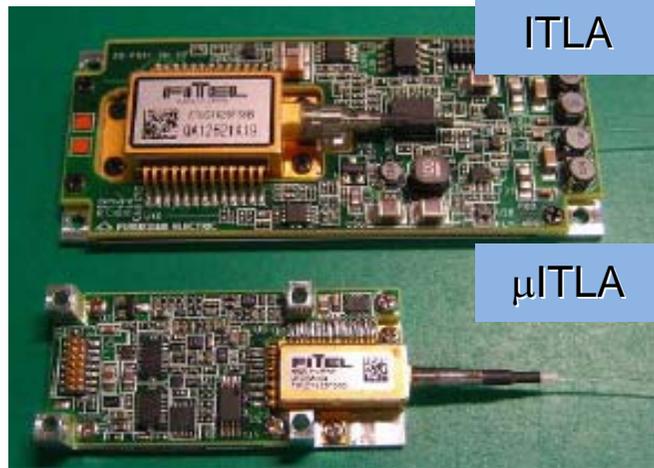
# Towards Future Growth

# 1. Initiatives Aimed at Sustainable Growth (Telecommunications)

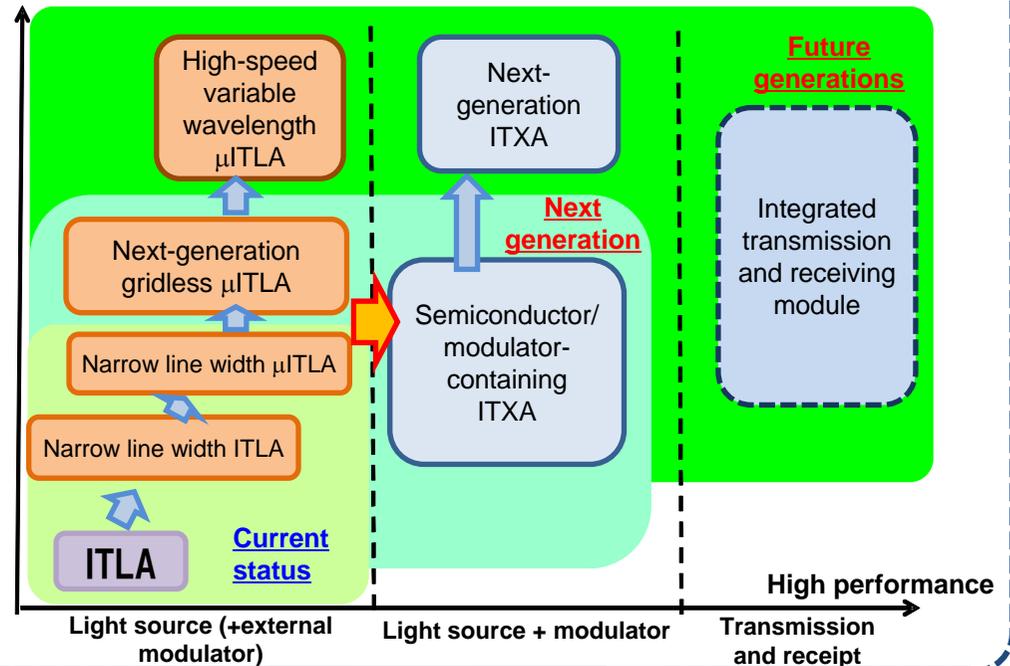
## Larger capacity in telecommunications infrastructure



**Digital Coherents**  
**Integrated Signal Light Source**



### High-speed Signal light source devices are expected to evolve



The technological barriers to entering digital coherent business are high, and there is scope for Furukawa Electric to display our unique capabilities.

## 2. Initiatives Aimed at Sustainable Growth (Electric Power)

### Smarter power infrastructure

Ultra low-loss transmission

Contribution to smart grids

Steady supply of natural energy

High-temperature superconducting cables

High-temperature superconducting equipment

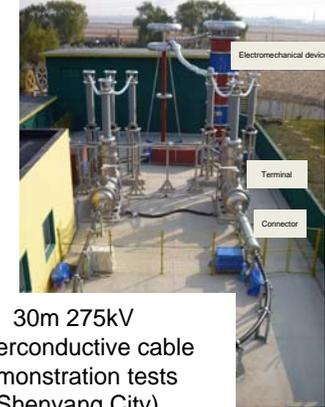
V2H/V2G systems

V2H charging connector cables

Energy management systems

Connection and terminal components

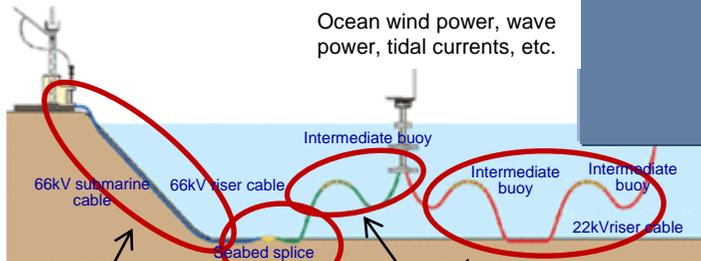
Power cables



30m 275kV Superconductive cable demonstration tests (Shenyang City)

Shore switching station & shore system grid transmission line

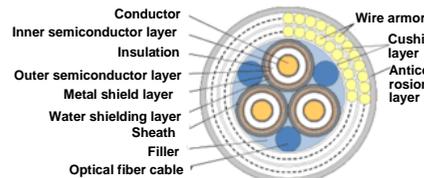
Ocean wind power, wave power, tidal currents, etc.



Submarine power cable

Riser cables for ocean energy

Seabed splice



V2B + LiB storage system

Rapid charging connector cables

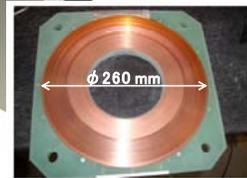


Mesh-type optical telecommunications system

- Normal conditions: peak cut, peak shift
- During disasters: supply backup power

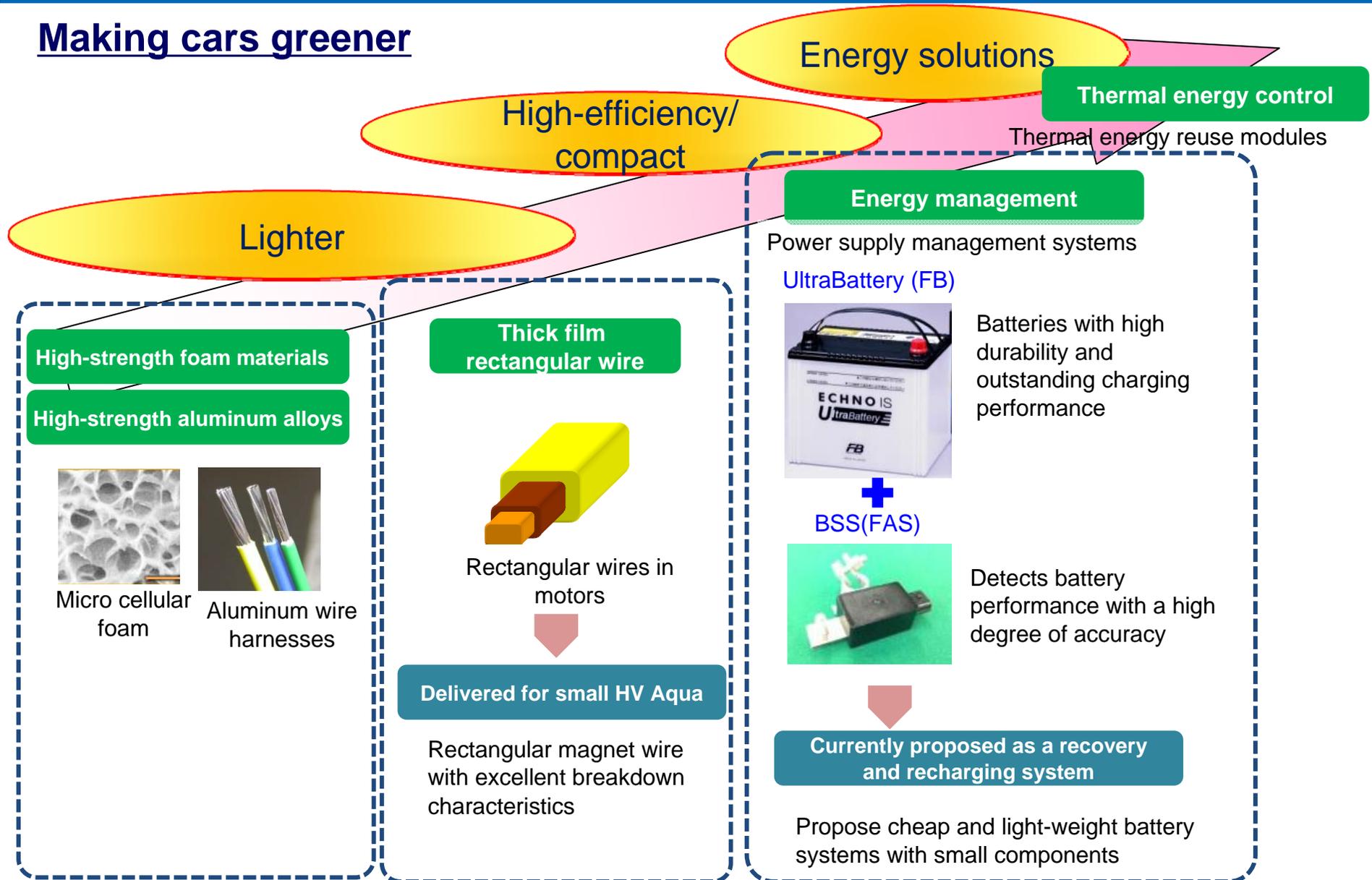


Superconducting magnet for next-generation flywheel storage system



### 3. Initiatives Aimed at Sustainable Growth (Automotive)

#### Making cars greener



## 4. Initiatives Aimed at Sustainable Growth (expanded sales and creation of new business)



Thank you for your attention.



**Notes on Forward-Looking Statements**

Projections of future sales and earnings in these materials are forward-looking statements. Management offers these projections in good faith and on the basis of information presently available. Information in these statements reflects assumptions about such variables as economic trends and currency exchange rates.

Forward-looking statements incorporate known and unknown risks as well as other uncertainties that include, but are not limited to, the following items.

- Economic trends in the U.S., Europe, Japan and elsewhere in Asia, particularly with regard to consumer spending and corporate capital expenditures
- Changes in exchange rates of the U.S. dollar, euro, and Asian currencies
- The Furukawa Electric Group's ability to respond to rapid advances in technology
- Changes in assumptions involving financial and managerial matters and the operating environment
- Current and future trade restrictions and related matters in foreign countries
- Changes in the market value of securities held by the Furukawa Electric Group

Due to the above factors, actual sales, earnings, and other operating results may differ significantly from the figures in the plans contained in these materials. In addition, following the release of these materials, Furukawa Electric Group assumes no obligation to publicly announce any revisions to forward-looking statements in these materials.

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